



0000009235

BEFORE THE ARIZONA CORPORATION COMMISSION

41

WILLIAM A. MUNDELL**Chairman****JIM IRVIN****Commissioner****MARC SPITZER****Commissioner**

2001 JAN 30 P 2:34

AZ CORP COMMISSION
DOCUMENT CONTROL

ORIGINAL

**IN THE MATTER OF U S WEST)
 COMMUNICATIONS, INC.'S)
 COMPLIANCE WITH SECTION 271 OF THE) DOCKET NO. T-00000A-97-238
 TELECOMMUNICATIONS ACT OF 1996)
 _____)**

QWEST'S COMMENTS REGARDING OUTSTANDING ISSUES

Qwest hereby submits its comments regarding outstanding Performance Assurance Plan issues.

Issue PAP-1: Performance Measurements

The parties disagree as to whether OP-6 (Delayed Days) and MR-6 (Mean Time to Restore) should be included in the PAP. Qwest's position has been that these performance measurements should not be included because they overlap other measurements that the parties have already agreed would be included in the PAP. Qwest is prepared, however, to make the same proposal involving OP-6 and MR-6 in Arizona that it made on January 19, 2001 to the ROC PEPP workshop.¹

OP-6, OP-3 (Installation Commitments Met), and OP-4 (Installation Interval) all measure the same Qwest installation performance, but in 3 ways. The addition of OP-6, given that there is no disagreement among the parties over the inclusion of OP-3 and OP-4, would give a CLEC an additional opportunity to receive a payment from Qwest from a single service installation. Since the Qwest PAP already provides a CLEC with 2 opportunities through the inclusion of OP-3 and

¹ Qwest's proposal to the ROC PEPP involved other performance measurements, not at issue in Arizona, but which Qwest is prepared to discuss.

Arizona Corporation Commission
DOCKETED

JAN 30 2001

DOCKETED BY

OP-4, which are both afforded the “high” designation for Tier-1 and Tier-2 payments, Qwest is not willing to add a third measurement. But, Qwest is willing to discuss different dual combinations of the three measurements, OP-3, OP-4, and OP-6, with the following caveat.

OP-6 contains a disaggregation for facility and non-facilities reasons. CLECs have at various times in Arizona workshops proposed a minimum payment applied at the sub-measurement level. Qwest is open to including OP-6 with the disaggregation to OP-6A and OP-6B, as long as the Qwest payment structure, that contains no minimum payment other than the nascent market provision, is adopted.

MR-6, MR-3 (Out of Service Cleared within 24 Hours), and MR-5 (All Trouble Cleared within 4 Hours) all measure Qwest’s performance in clearing trouble reports and out of service, but their coverage of services differs somewhat. There is no disagreement among the parties over the inclusion of MR-3 and MR-5 in the PAP. Qwest will agree to the inclusion of MR-6 in the PAP as long as MR-3 and MR-5 are not included. As is the case with OP-6, Qwest is very much concerned about the overlap of performance measurements and the potential for double, triple, or even quadruple payments to a CLEC for a single trouble report or out of service condition. Substituting MR-6 makes sense because MR-6 encompasses both designed and non-designed services and gives an overall measurement of the timeliness of repair.²

Issue PAP-2: Measurement of Change Management Processes

Qwest has no additional comment at this time.

Issue PAP-3: Texas Six Month Review

The Texas PAP had a provision added in the six month review that requires SBC to identify a problem and take corrective action whenever a Tier-2 measurement is missed two consecutive

² In the Qwest PAP, MR-3 and MR-5 are designated Tier-1, Medium. If the parties were to agree to the substitution of MR-6 for MR-3 and MR-5, Qwest would also raise the designation on MR-6 to Tier-1, High.

months. A CLEC may request a similar investigation and corrective action if a Tier-1 measurement is missed two consecutive months. Subsequent consecutive monthly misses require SBC to continue investigating until the consecutive misses cease. Qwest has not adopted a similar requirement in its Arizona PAP.

The Texas requirement to conduct investigations and take corrective action is inconsistent and contrary to the purpose of the PAP.³ The PAP is intended to provide self-executing and reasonable compensation (Tier-1) to CLECs for missed service standards and overall payments (Tier-1 and Tier-2) at levels that are sufficient financial incentive to prevent service levels from backsliding. The Texas requirement completely disregards the economic forces present in the PAP and overlays a blunt administrative requirement where none is justified.

It is neither necessary nor desirable to impose administrative controls such as the Texas provision. Qwest intends to identify problems and take corrective action when it misses performance measurements. Qwest has the financial incentive, because of the structure of the PAP, to do so in order avoid payments. The trigger and extent of such corrective actions, however, should be at Qwest's discretion. For instance, it would be reasonable for Qwest to not investigate consecutive month misses when the misses are very small. On the other hand, a large single month miss would trigger immediate investigation and action. Similarly, consecutive month misses for a single CLEC, when no other CLEC misses occur, may not require immediate investigation. It may be reasonable to wait for more monthly results, especially if the CLEC's volumes are small.

Qwest believes that managerial discretion and voluntary procedures are preferable to an inflexible administrative requirement such as is contained in the Texas plan. It is worth noting that this provision was added at the six month review -- presumably based on perceived problems with Texas' operations. Qwest believes that such an intrusive provision is unnecessary and should not be considered without demonstrating the company's indifference to performance results.

³ The Texas requirement to investigate Tier-2 measurements after 2 consecutive months of misses is highly questionable given that payments are not required until after 3 months of consecutive misses.

Issue PAP-4: Appropriateness of the K-Table

Qwest's position is that the K-Table serves an appropriate function and, therefore, should be included in the PAP. Qwest's proposed K-Table was the result of the Texas collaborative and, as such, represents compromise of parties, including CLECs participating in this Arizona collaborative. Qwest believes that the CLEC claim that the Texas K-Table is statistically incorrect is inconsequential, but is nevertheless prepared to adopt a "corrected" K-Table. Qwest believes that the K-Table should not include adjustments for Type II error and presents evidence supporting its position.

CLECs claim the K-Table is incompatible with the Texas PAP, which makes the K-Table statistically incorrect.⁴ This claim presumes the Texas Staff and Commission are ignorant of the statistical relationship of the K-Table to the rest of the Texas PAP. Qwest believes this to be highly unlikely. The more likely scenario is that the Texas Staff, in originally incorporating the K-Table into the Texas PAP,⁵ believed the K-Table concept was reasonable and, therefore, adopted it. The complaint of the CLECs in the Arizona workshops is merely that the Texas Commission sought compromise by adopting the K-Table portion of the CLEC proposal as opposed to adopting the CLEC proposal in its entirety.

Regardless, the CLECs claim is inconsequential. The difference between the Texas K-Table and a statistically correct K-Table is insignificant. Attachment 1 compares the Texas K-Table and the statistically correct K-Table.⁶

In comparing the K-Tables, it should be noted that there is virtually no difference in K-values when the number of CLEC sub-measurements is less than 200 and that the difference is

⁴ Z-Tel, The Modified Texas Performance Plan, p. 10.

⁵ It is Qwest's understanding from representations made by CLECs that the K-value table emanated from a WorldCom sponsored document introduced in the Texas collaborative and that the Texas Staff incorporated the K-value table from the WorldCom document into a compromise proposal the Texas Staff sponsored.

⁶ Z-Tel represents that Table A-1, The Modified Texas Performance Plan, p. 12, is the correct K-Table. However, in doing so, Z-Tel takes the position that the k values and z scores should be based on the "lower bound of the range" of measures. Logically, the k values and z scores should reflect the mid-point of the range, which is how Qwest calculates the statistically correct K-Table.

never more than an 3 exclusions. Therefore, Qwest modifies its PAP to replace the Texas K-Table with the statistically “correct” K-Table shown on Attachment 1.

The purpose of the K-Table is to reduce the effects the probability of Type I error (set at 5%) by excluding from the count of non-conforming results the number that represents roughly 5% of the results. That is, the K-Table reduces the statistical chance that Qwest would make payments to CLECs when there is no difference in service results. It is appropriate to include the K-Table in the PAP because Qwest should not make self-executing payments to CLECs, who have no requirement to demonstrate harm or to quantify harm, for observed quality differences that are due only to statistical error.

Because parity performance measurements require statistical testing, they are inherently imprecise in their ability to distinguish “true” differences from those that are due simply to randomness. This imprecision is a limitation of statistical tools, generally, which must be taken into account in properly using those tools. For a single parity test, the critical value corresponding to a 5% level of significance is 1.645. If the z statistic is equal to or greater than 1.645, Qwest would be deemed to have missed the parity standard. But, statisticians would say that there is a 5% chance that the missed standard could have occurred by chance alone. Stated another way, approximately 5% of a large number of all observations will appear to be significantly different, statistically, even though, in reality, they are not different. As more parity tests are conducted, the probability of at least one erroneous finding increases, even if there is no true difference between CLEC and Qwest performance. Consequently, over time, Qwest will be “falsely accused” of service differences about five percent of the time. Hence, the inclusion of the K-Table in the PAP. The K-Table reduces the probability of wrongfully finding a difference between CLEC and Qwest performance.

The K-Table is developed through a series of repeating steps that create pairings of K adjustments and Critical Z Values. Each such pairing of K and Critical Values is designed, in

principle, to offset (and in practice, to reduce⁷) the effects of a Type I error of 5%.⁸ First, K is set to zero and alpha is set to 0.05 (critical value is 1.645). Then, for each increment of sample size, X, the largest value of K is found such that the cumulative binomial probability of finding K significant values in X number of statistical tests at alpha is not less than 5%. Since K has to be a whole number, it is unlikely to get to exactly 5% or less simply by adjusting K. Therefore, the second step is to adjust alpha downward (i.e., adjust the critical value upward) until the cumulative binomial probability is 5% or less.

For example, assume X equals 100 tests. The binomial probability of failing 8 tests is about 6.3%. Alpha is reduced to .0478 to bring the combined probability to 5% or less. This level of alpha corresponds to a critical z value of 1.668. Therefore, if 100 statistical tests at a critical z value of 1.668 were to be conducted and of the tests that failed, 8 failures were ignored, then statistically it is unlikely that any of the remaining failed tests were wrongfully determined to be a miss.

The effect of the K-Table on the level of Tier-1 payments will vary from CLEC to CLEC and will depend upon individual CLECs volumes. Generally, the effect of the K-Table is minimized because the payment structure of the Qwest PAP requires that K-Table exclusions be applied in a systematic fashion starting with missed performance measurements that are designated “low” and which have the smallest CLEC volumes. In other words, applying K-Table exclusions to the least important sub-measurements minimizes the effect of the K-Table.⁹

⁷ Because it is impossible to identify specifically which comparisons are part of the 5% Type I error, the K-Table method excludes only the situations with the smallest volume and lowest importance. As a result, the K-values are conservative; they exclude the right number of results that would offset a 5% Type I error, but they pick the smallest examples to exclude.

⁸ A binomial distribution function is used to determine the probabilities and can be easily set up in an Excel spreadsheet.

⁹ The sub-measurements designated “low” are those from a regulatory policy perspective that are less important than the installation and repair measurements.

Based on CLEC volumes projected to May 2002¹⁰ and using October 2000 performance results, Qwest estimates that the K-Table would have the effect of excluding 22 missed performance sub-measurements from the payment calculation. In addition, the Critical Z values that relate to the K-values have an additional effect of decreasing the number of missed sub-measurements and the extent of the misses. The combined effect of the K-Table exclusions and the Critical Z values on payments to CLECs for October 2000 is estimated at approximately \$7 million annually.

CLECs claim that the K-Table should be balanced by the addition of a separate adjustment factor for Type II error. Qwest opposes the inclusion of any Type II adjustment factor because, outside a controlled test such as the OSS test, Type II error cannot be controlled. The only way to control Type II error is by controlling sample size, which cannot be done with commercial volumes that are used for the PAP. Thus, any other attempt to deal with Type II error necessarily constitutes an effort to “adjust for,” not to “control,” Type II error. All such adjustment methods, regardless of how structured, would achieve “balance” with Type II error by increasing Type I error.¹¹ In other words, efforts to balance Type II error inevitably involve perpetrating more “false accusations” against Qwest’s performance so as to equal a presumed level of Type II error. In that respect, balancing Type II error is based solely on a presumption of guilt, which is totally inappropriate to expect Qwest to concede without due process in each instance. Moreover, since Type II error is merely a natural limitation of statistical tools, and not in any way a failing of Qwest’s performance, it is completely inappropriate for Qwest to be penalized by any adjustment for Type II error.

¹⁰ Qwest has simulated the PAP based upon the forecast of 240,000 LSRs that is being used for the OSS test. A revision of the 240,000 is under discussion. Rather than redo the simulation for the new forecast, Qwest extended the projection curve and determined that the original 240,000 forecast would be reached by May 2002. See also the discussion in PAP-5.

¹¹ Though there may be instances, particularly with large sample sizes, where Type I error would be decreased in order to balance with Type II error, these represent situations involving different service performance categories than those in which Type I error would be increased due to balancing, which categories would not necessarily offset the effects of the Type I increases. Consequently, even with perfectly conforming results, Qwest would be ever penalized by the resulting false accusations.

Aside from these fatal flaws of balancing Type II and Type I errors, in the context of a PAP, Type II error adjustment cannot be created without making an arbitrary and completely unsupported assumption about what the “true” difference is between Qwest and CLEC means (again, the presumption of guilt). Z-Tel’s balanced K-Table is Table A-3 of its Modified Texas Performance Plan.¹² The Type II adjustment factors are listed in the column labeled “adjustments” and are calculated by assuming that:

The “false negative” probabilities are computed assuming that the payment calculation of the Texas PAP plan requires payment to 100% of the orders in the measure because the CLEC mean is twice the “threshold mean,” or M^* as defined in the text.¹³

In other words, Z-Tel’s Type II error adjustment can only be calculated by assuming that the CLEC mean is twice the Qwest mean. In reality, there is no evidence that such a difference exists. Any calculation of a Type II error adjustment factor, such as what Z-Tel does, is based upon pure speculation that a difference exists and, furthermore, on the arbitrary assumption that the difference is twice the Qwest mean. In essence, the Type II error adjustment factor is nothing more than a guarantee that Qwest will make payments to CLECs regardless of what the actual performance results demonstrate.

Qwest also opposes the inclusion of a Type II error adjustment factor because it would cause excessive payments to CLECs. Attachment 2 reproduces that portion of the Z-Tel balanced K-Table that is the Type II error adjustment. When the Type II error adjustment factor is divided by the corresponding number of CLEC sub-measurement,¹⁴ the resulting range from 61% to 100% is the minimum percentage of CLEC sub-measurements for which Qwest would be required to make payments to CLECs. In other words, the Type II adjustment factor is the minimum number

¹² Table A-3 in the Z-Tel filing is mistakenly mislabeled as Table 4 on page 14, Z-Tel, Texas Modified Performance Plan.

¹³ Id., page 10.

¹⁴ It is appropriate to divide the Type II error adjustment factor by the low end of the range of CLEC sub-measurements because Z-Tel developed its table based upon the low end of the range.

of sub-measurements Qwest would be presumed to have missed and would make payments to CLECs as compensation for the possibility that Qwest might otherwise avoid making payments.

Attachment 2 demonstrates that the effect of paying on 61% to 100% of sub-measurements would have a substantial and unreasonable effect on the level of payments to the CLECs. CLECs propose that a \$5,000 minimum payment be applied to each sub-measurement. Qwest believes the more competitively active CLECs will have volumes spread across approximately 90 to 200 sub-measurements. For this range of sub-measurements, the Type II adjustment factor ranges from 61 to 130. Applying a \$5,000 minimum payment, the total monthly payment to each CLEC for just the parity sub-measurements would, at a minimum range from \$305,000 to \$650,000.¹⁵ On an annual basis, the minimum payment would range from \$3.7 to \$7.8 million. If 25% of the 118 CLECs currently in Arizona operated in the range of 90 to 200 sub-measurements per month, Qwest payment would total at least \$109 to \$230 million annually, exceeding the 36% net revenue cap. Obviously, the adjustment for Type II error cannot be done without guaranteeing CLECs with substantial payments regardless of the actual Qwest performance results.¹⁶

At the December 18, 2000 workshop, Qwest demonstrated through Exhibit 5 how the Qwest PAP gives CLECs the opportunity to receive payments that exceed annual service profit by multiplies of 6 to 44.¹⁷ Given that the multiples all exceed the annual profit and that the multiples increase with duration, the CLECs are not disadvantaged by not including an adjustment for Type II error in the K-Table.

¹⁵ This would be in addition to Tier-1 payment related to benchmark performance sub-measurements and Tier-2 payments to an Arizona State Fund.

¹⁶ While adjusting for Type II error may have a basis in statistical theory, from a practical standpoint it is a means by which CLECs seek to guarantee themselves of substantial revenues in the form of payments from Qwest.

¹⁷ Attachment 3 is a revised slide 13 of Exhibit 5. The version of Exhibit 5, slide 13 distributed at the December 18, 2000 PAP workshop quantified the total CLEC payment opportunity as it relates to the processing of a single CLEC customer order and compared it to the annual profit of serving that one customer. The revised Exhibit 5, slide 13 changes the annual profit from a post-tax to a pre-tax basis and corrects the disaggregation of the Qwest ordering and installation processes.

Issue PAP-5: Cap

In evaluating the robustness of the Qwest PAP, it is reasonable to ask what level of misses would Qwest be allowed across all the performance measurements and still be able to operate under the cap. This question is fundamentally different from the question of what payments would Qwest make given the actual performance levels currently being achieved. The difference is an evaluation of the financial risk across all the performance measurements as would be the case in a test of the robustness of the PAP, versus an evaluation of only the specific performance measurements that Qwest is currently not meeting standard, which is the PAP-8 issue.

Qwest has conducted a simulation of the Qwest PAP and determined that the PAP does indeed put 36% of Qwest's Arizona net revenues at significant and meaningful risk.¹⁸ Qwest estimates that if it were to make payments on just 1% of the aggregate CLEC volume for each performance sub-measurements, its annual Tier-1 and Tier-2 payments would be approximately \$17 million. This is a significant amount for such a small variation from performance standards. Qwest also estimates that payments on 10.7% of the aggregate CLEC volumes would result in an annual payment equal to the 36% net revenue cap.¹⁹

Actual CLEC volumes from October 2000 for each of the performance measurements proposed by Qwest were factored upward to estimate the May 2002 level using the growth in the volume of CLEC LSRs that Qwest and CLECs have mutually agreed for purposes of the Arizona OSS test.²⁰ This adjustment in volumes was made so that robustness could be tested at a level of CLEC activity that closely approximates the period when the PAP will be in effect. Simulations

¹⁸ The FCC recently gave 271 approval to SBC for Kansas and Oklahoma, which both employ the Texas PAP and the 36% net revenue cap. *In the Matter of Joint Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Kansas and Oklahoma*, CC Docket No. 00-217, FCC 01-29 (released January 22, 2001).

¹⁹ At the 36% net return cap, the Commission would have the option to recommend to the FCC that Qwest cease offering in-region interLATA services to new customers.

²⁰ A revision of the 240,000 region-wide projection is under discussion. Under the revised projection, the original 240,000 level would be reached by May 2002, according to revised projection trend.

were then performed starting with the assumption that Qwest missed standards such that it made payments on 1% of the Tier-1 and Tier-2 CLEC denominators. Subsequent simulations raised the percentage of misses.²¹ For each simulation, Qwest calculated Tier-1 and Tier-2 payments.²² The Tier-1 payment calculation assumed that every miss was a first month miss. In other words, this test of PAP robustness conservatively assumed no escalation in payments for two or more consecutive months misses.

The result of the Qwest simulation is shown in the following table. The table lists the Tier-1, Tier-2, and combined Arizona payment by Qwest. The simulation demonstrates that 10.7% is about the limit of what the PAP would be allowed before the 36% of net return cap would be reached, assuming no escalation in payments for duration.

Percent CLEC Volume Missed	Tier-1 Payment to all CLECs	Tier-2 Payment to State Fund	Combined Tier-1, Tier-2 Payment
1%	\$ 3.8 M	\$ 13.0 M	\$ 16.8 M
2%	\$ 7.2 M	\$ 18.2 M	\$ 25.4 M
3%	\$ 9.6 M	\$ 22.7 M	\$ 32.3 M
4%	\$12.0 M	\$ 26.8 M	\$ 38.8 M
5%	\$14.4 M	\$ 30.5 M	\$ 44.9 M
7%	\$17.4 M	\$ 37.6 M	\$ 54.9 M
9%	\$20.0 M	\$ 44.4 M	\$ 64.3 M
10.7%	\$22.2 M	\$ 50.0 M	\$ 72.2 M

The Qwest simulation provides evidence to the Commission that the Qwest PAP is robust and allows a reasonable margin within which Qwest may operate. The simulation also provides evidence the PAP puts 36% of Qwest's Arizona net revenue at realistic financial risk.

²¹ Slightly different assumptions were made for MR-8, BI-1a, BI-1b, BI-2, BI-3a, BI-3b, BI-4b, NI-1a and NI-1b to account for the denominators used in their calculation of performance results. No factor was applied to the GA measurements because their denominators are hours.

²² Qwest assumed the percent misses were post application of the K-Table and that all Tier-2 per measurement caps applied. Tier-1 per measurement caps were only applied to BI measurements as the denominators in their formulae are such that small percentage misses very quickly cause high payments that exceeded caps.

Issue PAP-6: Other Proposed PAP Changes

Discussion was held at the December 18, 2000 workshop as to whether the Qwest Tier-1 payment table should be extended and escalate beyond six months. The Tier-1 payment table should not escalate beyond the sixth month because the six-month payment level greatly exceeds any potential financial harm to the CLECs. At the December workshop, Qwest demonstrated through Exhibit 5 that CLECs have the opportunity to receive PAP payments that substantially exceed the potential lost profit if Qwest service performance caused the CLEC to lose the customer. At a six month duration, payment exceeds estimated lost profit by 44 times.²³

Whether the Tier-1 payment table should escalate beyond the sixth month is a question of reasonableness. The standard of reasonableness should be whether payment levels reasonably compensate CLECs for potential financial harm. The corollary of that standard is that payments should not exceed the economic benefits lost by CLECs (or gained by Qwest) and become an uneconomic windfall to the CLECs.

Despite embracing the economic theory that the payment levels should reflect CLEC lost profits or Qwest's financial gain, CLECs have presented no evidence as to the level of financial harm they might incur. Nor, have the CLECs presented any evidence that a Qwest missed standard for any specific performance sub-measurements would directly cause financial harm.²⁴ Lacking such supporting evidence, there is no justification for CLEC proposals for continually escalating payment amounts.

The empirical evidence provided by Qwest demonstrates that any further escalation of the six-month payment amount would only exacerbate the CLEC uneconomic windfall already evident at the six-month level. The following table summarizes the evidence:

²³ See Attachment 3.

²⁴ CLECs present no evidence that a miss at the sub-measurement level, which corresponds to the level at which payments would be calculated, would have such visibility that it could influence customers choice of telecommunications carrier. The fact of the matter is that customers will not have direct knowledge of different service levels (CLEC and Qwest retail) or missed benchmark standards. See Qwest Comments, October 9, 2000.

	6 Mon Payment	With the Effect of Disaggregation	Annual Profit ²⁵	Uneconomic Windfall ²⁶
Low	\$400	\$6,400	\$146	\$254 - \$6,254
Medium	\$600	\$6,400	\$146	\$454 - \$6,254
High	\$800	\$6,400	\$146	\$654 - \$6,254

Furthermore, escalation of Tier-1 payments cannot be considered in isolation of the obligation to make Tier-2 payments. Tier-2 payments are themselves a form of escalation. Having already paid CLECs an amount that exceeds both the presumed CLEC financial harm and the alleged Qwest benefit of providing discriminatory service, Tier-2 payments become an added payment liability that escalates the incentive to Qwest to fix service performance.

Issue PAP-7: CLEC Proposed Plans

Qwest understands that the parties have agreed to use the Qwest PAP as the starting point for discussions.

Issue PAP-8: Simulation Based on Qwest Performance Results

Qwest has no additional comments at this time.

²⁵ Evidence from Z-Tel's financial reports proves that the incremental pre-tax profit Z-Tel achieves from a customer is \$60. Thus, Z-Tel cannot reasonably argue before this Commission that its financial harm exceeds this amount, nor that payments greater than \$60 would not be an economic windfall which could be used to fund further market penetration into Qwest's customer base. (See Qwest Exhibit 5, p. 15, presented at the December 18, 2000 workshop.)

²⁶ The uneconomic windfall is estimated by subtracting the annual profit from a single 6-month payment and the \$6,400 payment that takes into account each of the 34 steps that the Qwest process of responding to a CLEC LSR has been disaggregated into by the PIDs. Arguably, a miss of a single sub-measurement is not likely to cause a CLEC to lose a customer, nor does Qwest believe it likely that it would miss standard for all 34 sub-measurement. The uneconomic windfall lies somewhere within this range.

Issue PAP-9: How Performance Measurements Are Designated Tier-1 and Tier-2; Low, Medium, or High

In its first proposed PAP, Qwest included approximately 50 performance sub-measurements.²⁷ Subsequently, Qwest determined that all the Arizona PIDs should be included in the PAP as Tier-1 performance measurements, with certain exceptions:

1. PIDs that are not suitable for Tier-1 payments.
2. PIDs that are parity by design or diagnostic.
3. PIDs that overlap with other measurements.
4. PIDs that the CLECs agreed should not be included in the PAP.

The measurements included in the PAP are at the lowest level of product and geographic disaggregation, i.e., at the sub-measurement level, per the current version of the PID in effect. The sub-measurement level is the level at which Tier-1 statistical testing and stare and compare are used to determine whether Qwest meets standard each month. Furthermore, the determination of whether Qwest meets standard is made on an individual CLEC basis.

GA-1, GA-2, PO-1, OP-2, and MR-2 were not included as they are not suitable for Tier-1 payments because, per the PID, individual CLEC results are not reported for these measurements. O-2, PO-4, PO-6, PO-10, PO-15, OP-5b, OP-7, OP-13b, OP-15, MR-10 and selected OP/MR product sub-measurements were not included because they are diagnostic measurements;²⁸ and BI-2, DB-1, DB-2; DA-1, DA-2; OS-1, and OS-2 were not included because they are parity by design. OP-6 and MR-6, were not included because they overlap other performance measurements (i.e., the same service misses are counted in more than one performance measurement.)²⁹ GA-3, GA-4,

²⁷ See U S WEST Proposal for Assurance Plan, June 30, 2000.

²⁸ Qwest acknowledges that the performance results for the parity by design and diagnostic performance measurements would still be reported to the Arizona Commission and the CLECs until such time their reporting was determined to be unnecessary or until it was determined that they should have parity or benchmark standards.

²⁹ See Qwest's comments above on issue PAP-1 and Qwest's November 13, 2000 and October 9, 2000 comments.

PO-9, OP-7, MR-4, MR-10, DB-1, DA-2 were not included because the CLECs did not request them;

Tier-2 performance measurements were selected based upon two considerations. Those measurements, which are not suitable for Tier-1 payments (GA-1, GA-2, PO-1, OP-2, and MR-2) were automatically included as Tier-2 performance measurements. The remaining Tier-2 measurements were chosen from the list of Tier-1 measurements based upon the apparent importance assigned to them by CLECs and customer impact. Among the PO measurements, PO-5 was chosen because of its apparent high interest to CLECs. All OP and MR measurements were designated Tier-2 because of the importance of focus on the restoration of service. BI-2 and B-4 from chosen from among the BI measurements because one is a timeliness measure and the other measures accuracy. Both the network blocking (NI-1) and NXX code activation (NP-1) measurements were chosen. From among the collocation measurements, CP-2 was chosen because it measures commitments met. The determination of whether Qwest meets standards on Tier-2 performance measures is made on CLEC aggregate performance results at the sub-measurement level.

The assignment of Low, Medium, and High weightings was made based upon the relative importance of the performance measurements. OP and MR performance measurements are arguably more customer impacting than the PO and BI measurements, because provisioning and repair results represent a more direct and perceptible impact on customers. Thus, OP and MR measurements were split between Medium and High. The PO and BI measurements were designated Low, as they represent performance that is less direct and less perceptible to customers. The two network measurements, NI and NP were both given High designations because of the directness of their effects on customers. CP-2 was given a High designation because it measures commitments met in an area that represents a rather direct³⁰ impact on individual CLEC market

³⁰ Depending on CLEC marketing plans and forecasting.

entry. The other CP measurements were given Low designation, reflecting that collocation performance is addressed by multiple related measures.

Low, Medium, and High weightings for Tier-2 performance measurements generally parallel the Tier-1 weightings except for several measurements given higher weightings in Tier-2 (e.g. PO-5 and BI-4). The Tier-1 and Tier-2 weightings also track with the weights given to similar performance measurements in the Texas PAP.

Issue PAP-10: Severity Factor

A severity factor is an escalation of the per occurrence payment amount based upon the degree of the service miss. That is the further the miss is from a standard, the greater is the per occurrence payment amount.

Mr. Inouye's presentation at the December 18, 2000 workshop addressed Qwest's opposition to a severity factor³¹ and demonstrated that the opportunity for payments to CLECs that is incorporated into the Qwest PAP already exceeds any evidence of the level of potential CLEC economic harm.³² Furthermore, evidence demonstrates that the CLECs proposed Texas modified plan, which does incorporate a severity factor, greatly exceeds all evidence of the level of CLEC economic harm. Any further escalation of the "per occurrence" payment amount would only serve to give CLECs greater reward in the form of an uneconomic windfall.

The combined effect of the PIDs disaggregation of Qwest's service delivery process into multiple measuring points and the payment structure of the Qwest PAP will fairly compensate CLECs if Qwest fails to meet standards. Attachment 3 shows that a CLEC has 11 opportunities (performance measurements) to receive a payment from Qwest as a single CLEC LSR is processed through Qwest's service delivery system. At each of the 11 measurement points, if Qwest misses standard, the CLEC stands to receive the payment listed on Attachment 3 and that payment already

³¹ Qwest refers the Commission to Mr. Inouye's presentation, Exhibit 5, and that portion of the record that contains his testimony.

³² The discussion of PAP-6 applies also to PAP-10 and is hereby incorporated by reference.

escalates based upon the number of consecutive months Qwest has failed to meet the sub-measurement standard.

The total payment a CLEC would receive will normally exceed the annual profit of serving a business customer. For first month misses, Attachment 3 shows that Qwest could miss some combinations of the 11 sub-measurements before a CLEC would receive a payment equal to the annual business profit. However, the combinations could not include the important OP-3, OP-4, and OP-5 installation measurements. For second consecutive month misses, while two PO or BI misses would add up to less than the annual business profit, any other miss would significantly compensate the CLEC beyond the annual business profit. For third, fourth, fifth, and sixth consecutive month misses, payments will compensate a CLEC well beyond the business annual profit. In fact, Attachment 3 shows that the cumulative opportunity for payment exceeds the annual business profit by a factor that escalates from 6 times at one month to 44 times at six months, even though the Qwest PAP does not include a severity factor. The Qwest PAP provides adequate compensation to CLECs for potential economic harm and there is no need for adding a severity factor. The addition of a severity factor would be an uneconomic windfall to CLECs.³³

The CLEC argument for a severity factor incorrectly presumes CLEC financial harm increases with the difference between the CLEC and Qwest mean results on parity performance measures. This is not only unsupported speculation, but is an incorrect inference drawn from statistical testing. The only meaningful conclusion that can be drawn from the relationship of CLEC and Qwest means is the degree of statistical certainty that different level of service has been rendered (i.e. that there is a statistically significant difference in mean results, or there is not). No conclusion can be drawn that greater economic harm to the CLEC or benefit to Qwest has occurred.

³³ Evidence from Z-Tel's publicly available financial results proves that the incremental financial benefit to Z-Tel of adding a customer is \$60 annually.

At the sub-measurement level, where the PAP payment structure operates, there is no empirical evidence that missing standard causes any harm to CLECs, let alone harm that increases as statistical certainty increases. Furthermore, the CLECs admit that no such evidence exists.³⁴

Qwest encourages the Commission to consider the severity factor issue in the context of the entirety of the PAP payment structure. The issue is whether the Tier-1 payment structure will result in a reasonable level of payments to CLECs given the evidence of potential economic harm to the CLECs. The evidence on this record demonstrates that the Qwest PAP provides a reasonable level of payment opportunity and that the CLEC severity proposal is unreasonable.

Issue PAP-11: Audits

Qwest's understanding from the December 18, 2000 workshop is that WorldCom would respond to Qwest's request for more details. Therefore, Qwest has no additional comment at this time.

Issue PAP-12: Tier-2 Payments

Qwest's understanding from the December 18, 2000 workshop is the WorldCom would clarify its position on this issue. Therefore, Qwest has no additional comment at this time.

Issue PAP-13: Continuous Escalation of Payments

Mr. Inouye's presentation at the December 18, 2000 workshop addressed Qwest's opposition to the continuous escalation of payment levels.³⁵ Similar to the severity factor discussed in PAP-10, evidence presented by Mr. Inouye demonstrates that the opportunity for payments to CLECs that is already incorporated into the Qwest PAP exceeds any evidence of the level of CLEC

³⁴ See Mr. Inouye's December 18, 2000 Presentation, Exhibit 5, slide 8.

³⁵ Qwest refers the Commission to Mr. Inouye's presentation, Exhibit 5, and that portion of the record that contains his testimony.

financial harm.³⁶ Any further escalation of payment levels such as through continuous escalation for consecutive month misses, only serves to give CLECs an uneconomic windfall.

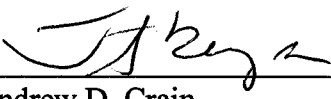
Setting payments to CLECs that are too high will have detrimental public interest effects. High payments will amount to uneconomic windfalls to CLECs that may then be used to fund further market penetration into the Qwest customer base through uneconomic price discounts. High payments could also create moral hazard by providing the incentive for CLECs to focus on collecting payments from Qwest, as opposed to providing service to Arizona customers. High payments and uneconomic windfalls to CLECs would discourage CLEC investment in Arizona telecommunication infrastructure, and encourage harvesting windfall profit opportunities through maximizing payments from Qwest. The effect of high payments could also harm Qwest retail customers. The imbalance with retail standards and payments would, over time, cause Qwest to “self-insure” against payments to CLECs by shifting resources away from retail operations, thus raising the overall cost of service for all services.

Issue PAP-14: Limitations of Plan

Qwest’s understanding from the December 18, 2000 workshop is that WorldCom would clarify its position on this issue. Therefore, Qwest has no additional comment at this time.

³⁶ The discussion of PAP-6 applies also to PAP-10 and is hereby incorporated by reference.

RESPECTFULLY SUBMITTED this 30th day of January, 2001.

By 
Andrew D. Crain
Charles W. Steese
Lynn Stang
Qwest Corporation
1801 California Street, Suite 4900
Denver, CO 80202
(303) 672-2926

FENNEMORE CRAIG, P.C.
Timothy Berg
Theresa Dwyer
3003 North Central Ave., Suite 2600
Phoenix, AZ 85012
(602) 916-5421
Attorneys for Qwest Corporation

ORIGINAL and 10 copies filed
this 30th day of January, 2001, with

Docket Control
ARIZONA CORPORATION COMMISSION
1200 W. Washington St.
Phoenix, AZ 85007

Chris Kempley, Chief Legal Counsel
Maureen A. Scott
Legal Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington St.
Phoenix, AZ 85007

Deborah Scott, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington St.
Phoenix, AZ 85007

Lyn Farmer, Chief Hearing Officer
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington
Phoenix, AZ 85007

COPIES mailed by regular mail
this 30th day of January, 2001, to:

Steven H. Kukta
Darren S. Weingard
Sprint Communications Company, LP
1850 Gateway Drive, 7th floor
San Mateo, CA 94404-2567

Thomas Campbell
Lewis & Roca
40 N. Central Ave.
Phoenix, AZ 85004

Joan S. Burke
Osborn Maledon, P.A.
2929 N. Central Ave., 21st Floor
PO Box 36379
Phoenix, AZ 85067-6379

Thomas F. Dixon
Karen L. Clausen
MCI Telecommunications Corp.
707 17th Street # 3900
Denver, CO 80202

Scott S. Wakefield
Residential Utility Consumer Office
2828 North Central Ave., Suite 1200
Phoenix, AZ 85004

Michael M. Grant
Gallagher & Kennedy
2575 E. Camelback Rd.
Phoenix, AZ 85016-9225

Michael Patten
Brown & Bain
2901 N. Central Ave.
Phoenix, AZ 85012

Bradley Carroll, Esq.
Cox Arizona Telcom, LLC
1550 West Deer Valley Rd.
Phoenix, AZ 85027

Daniel Waggoner
Davis, Wright & Tremaine
2600 Century Square
1501 Fourth Avenue
Seattle, WA 98101-1688

Richard S. Wolters
Maria Arias-Chapleau
AT&T Law Department
1875 Lawrence Street # 1575
Denver, CO 80202

David Kaufman
e.spire Communications, Inc.
343 W. Manhattan Street
Santa Fe, NM 87501

Alaine Miller
NEXTLINK Communications, Inc.
500 108th Ave. NE, Suite 2200
Bellevue, WA 98004

Diane Bacon, Legislative Director
Communications Workers of America
5818 N. 7th St., Suite 206
Phoenix, Arizona 85014-5811

Nigel Bates
Electric Lightwave, Inc.
4400 NE 77th Ave.
Vancouver, WA 98662

Philip A. Doherty
545 South Prospect Street, Suite 22
Burlington, VT 05401

Hagood Bellinger
5312 Trowbridge Drive
Dunwoody, GA 30338

Joyce Hundley
U.S. Dept. of Justice
Antitrust Division
1401 H Street, NW, # 8000
Washington, DC 20530

Andrew O. Isar
Telecommunications Resellers Association
4312 92nd Ave., NW
Gig Harbor, WA 98335

Raymond S. Heyman
Randall H. Warner
Two Arizona Center
400 North 5th Street, Suite 1000
Phoenix, AZ 85004-3906

Douglas Hsiao
Rhythms Links, Inc.
6933 Revere Parkway
Englewood, CO 80112

Mark Dioguardi
Tiffany and Bosco, PA
500 Dial Tower
1850 N. Central Avenue
Phoenix, AZ 85004

Thomas L. Mumaw
Snell & Wilmer
One Arizona Center
Phoenix, AZ 85004-0001

Richard Rindler
Morton J. Posner
Swider & Berlin
3000 K Street, NW, Suite 300
Washington, DC 20007

Charles Kallenbach
American Communications Services, Inc.
131 National Business Parkway
Annapolis Junction, Maryland

Mark J. Trierweiler
Vice President – Government Affairs
AT&T
111 West Monroe
Suite 1201
Phoenix, AZ 85003

Gena Doyscher
Global Crossing Services, Inc.
1221 Nicollet Mall
Minneapolis, MN 55403-2420

Karen L. Clauson
Eschelon Telecom, Inc.
730 Second Avenue South, Suite 1200
Minneapolis, MN 55402

Mark N. Rogers
Excell Agent Services, LLC
2175 W. 14th Street
Tempe, AZ 85281

Janet Livengood
Regional Vice President
Z-Tel Communications, Inc.
601 S. Harbor Island Blvd.
Tampa, FL 33602

Jonathan E. Curtis
Michael B. Hazzard
Kelly Drye & Warren, LLP
1200 19th Street, NW, Fifth Floor
Washington, DC 20036

Andrea P. Harris, Senior Manager, Regulatory
Allegiance Telecom, Inc.
P.O. Box 2610
Dublin, CA 94568

Gary L. Lane, Esq.
6902 East 1st Street, Suite 201
Scottsdale, AZ 85251

J. David Tate
Senior Counsel
SBC Telecom, Inc.
5800 Northeast Parkway, Suite 125
San Antonio, Texas 78249



Attachment 1: Texas K-Table compared to Corrected K-Table

Number of CLEC Performance Measurements	Texas K-Table		Corrected K-Table	
	K-Value	Critical Z- Value	K Value	Critical Z- Value
1	0	1.65	0	1.645
2	0	1.96	0	1.955
3	0	2.12	0	2.122
4	0	2.23	0	2.235
5	0	2.32	0	2.319
6	0	2.39	0	2.387
7	0	2.44	0	2.442
8	1	1.69	1	1.682
9	1	1.74	1	1.739
10-19	1	1.79	1	1.974
20-29	2	1.73	2	1.832
30-39	3	1.68	3	1.752
40-49	3	1.81	4	1.698
50-59	4	1.75	5	1.66
60-69	5	1.7	5	1.74
70-79	6	1.68	6	1.7
80-89	6	1.74	7	1.669
90-99	7	1.71	7	1.722
100-109	8	1.68	8	1.691
110-119	9	1.7	9	1.666
120-139	10	1.72	10	1.664
140-159	12	1.68	11	1.677
160-179	13	1.69	12	1.687
180-199	14	1.7	14	1.653
200-249	17	1.7	15	1.662
250-299	20	1.7	19	1.658
300-399	26	1.7	23	1.668
400-499	32	1.7	29	1.662
500-599	38	1.72	35	1.656
600-699	44	1.72	41	1.651
700-799	49	1.73	47	1.646
800-899	55	1.75	52	1.653
900-999	60	1.77	58	1.648
1000 and above	Calculated for Type I Error Probability of 5%			

Attachment 2: Z-Tel Proposed Type II Adjustments as a Percentage of the Number of CLEC Performance Measurements and Minimum Monthly Payments to CLECs

Number of CLEC Performance Measurements	Z-Tel Proposed Type II Adjustments	Adjustments Percent of CLEC Measurements	Minimum Payment to CLECs
1	1	100%	\$ 5,000
2	2	100%	\$ 10,000
3	3	100%	\$ 15,000
4	4	100%	\$ 20,000
5	5	100%	\$ 25,000
6	6	100%	\$ 30,000
7	7	100%	\$ 35,000
8	7	88%	\$ 35,000
9	8	89%	\$ 40,000
10-19	9	90%	\$ 45,000
20-29	15	75%	\$ 75,000
30-39	22	73%	\$ 110,000
40-49	30	75%	\$ 150,000
50-59	36	72%	\$ 180,000
60-69	42	70%	\$ 210,000
70-79	48	69%	\$ 240,000
80-89	55	69%	\$ 275,000
90-99	61	68%	\$ 305,000
100-109	67	67%	\$ 335,000
110-119	74	67%	\$ 370,000
120-139	80	67%	\$ 400,000
140-159	93	66%	\$ 465,000
160-179	104	65%	\$ 520,000
180-199	117	65%	\$ 585,000
200-249	130	65%	\$ 650,000
250-299	160	64%	\$ 800,000
300-399	190	63%	\$ 950,000
400-499	250	63%	\$1,125,000
500-599	311	62%	\$1,555,000
600-699	370	62%	\$1,850,000
700-799	432	62%	\$2,160,000
800-899	489	61%	\$2,445,000
900-999	552	61%	\$2,760,000

Attachment 3: Revised Exhibit 5

CLEC PROPOSALS SIMPLY FAIL TO MATCH PAYMENT LEVELS TO THE DISAGGREGATION OF THE PERFORMANCE MEASUREMENTS

(Example of a Single UNE-P Order and Installation, 5% Misses, Zone 1 only)

	Performance Measurement	Alleged Benefit/ Profit	WorldCom Proposed Payment*					
			1st Mon	2nd Mon	3rd Mon	4th Mon	5th Mon	6th Mon
1	GA-1,2: Gateway availability	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
2	PO-1a,b Pre-order response time (Appt Scheduler)	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
3	PO-1a,b Pre-order response time (Service Availability)	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
4	PO-1a,b Pre-order response time (Facility Availability)	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
5	PO-1a,b Pre-order response time (Street Address Validation)	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
6	PO-1a,b Pre-order response time (Customer Service Records)	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
7	PO-1a,b Pre-order response time (Telephone Number)	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
8	PO-1a,b Pre-order response time (Loop Qualification)	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
9	PO-2a1,2: % electronic flow through all LSRs	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
10	PO-2b1,2: % electronic flow through eligible LSRs	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
11	PO-3a,b,c: LSR rejection notice interval	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
12	PO-4a,b,c: LSRs rejected	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
13	PO-5a,b,c: Firm order confirmations on time	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
14	PO-6a,b: Work completion notice timeliness	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
15	PO-7a,b: Billing completion notice timeliness	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
16	PO-8d: Jeopardy notice interval	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
17	PO-10: LSR accountability	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
18	PO-15: Number of due date changes/orders (ROC)	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
19	OP-3a,b,c: Installation commitments met	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
20	OP-4a,b,c: Installation interval	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
21	OP-5a: New installations trouble free within 30 days	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
22	OP-5b: % TR report by CLEC before order completion	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
23	OP-6a,b: Avg business days delayed, nonfacility/facility reasons	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
24	OP-8b,c: Number portability timeliness, coordinated/uncoordinated	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
25	OP-13a: Coordinated cuts on time	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
26	OP-13b: Coordinated cuts started without CLEC approval	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
27	BI-4 Billing completeness	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301
28	DB-2a,b,c Accurate database updates	\$3.38	\$3,785	\$7,088	\$10,391	\$13,694	\$16,998	\$20,301

Total annual customer profit compared to WorldCom proposed Tier-1 payments

Number of time WorldCom proposed payments exceed annual profit

Does not include Tier-2 payments. Effect of Zone 2 payments not included.

\$94.66 \$105,973 \$198,463 \$290,953 \$383,443 \$475,934 \$568,424

1120 2097 3074 4051 5028 6005

* WorldCom's payment table escalates as the percentage of service misses increase. The table is based on 5% misses. Below are total payments at higher percentage of service misses.

10% Misses	\$210,024	\$406,566	\$603,108	\$799,649	\$996,191	\$1,192,733
15% Misses	\$302,515	\$591,546	\$880,578	\$1,169,610	\$1,458,642	\$1,747,674
20% Misses	\$395,005	\$776,527	\$1,158,049	\$1,539,571	\$1,921,093	\$2,302,616
25% Misses	\$487,495	\$961,507	\$1,435,520	\$1,909,532	\$2,383,545	\$2,857,557
30% Misses	\$591,546	\$1,169,610	\$1,747,674	\$2,325,738	\$2,903,802	\$3,481,866
35% Misses	\$776,527	\$1,354,591	\$2,025,145	\$2,695,699	\$3,366,253	\$4,036,807
40% Misses	\$776,527	\$1,539,571	\$2,302,616	\$3,065,660	\$3,828,704	\$4,591,748
	3784.74	7087.96	10391.19	13694.41	16997.63	20300.85
	7500.87	14520.21	21539.56	28558.91	35578.25	42597.6
	10804.09	21126.66	31449.23	41771.8	52094.36	62416.93
	14107.31	27733.1	41358.89	54984.68	68610.47	82236.27
	17410.53	34339.55	51268.56	68197.57	85126.59	102055.6
	21126.66	41771.8	62416.93	83062.07	103707.21	124352.35
	24429.88	48378.24	72326.6	96274.96	120223.32	144171.68
	27733.1	54984.68	82236.27	109487.85	136739.43	163991.01

TOO MANY PERFORMANCE MEASUREMENTS PAYMENT TO THE DISAGGREGATION OF MEASUREMENTS PRODUCE HIGHLY UN

(Example of a Single UNE-P Order and Installation)

Performance Measurement			Alleged Benefit/ Profit	1st Mon
1	GA-1,2:	Gateway availability	\$3.38	\$967
2	PO-1a,b	Pre-order response time (Appt Scheduler)	\$3.38	\$967
3	PO-1a,b	Pre-order response time (Service Availability)	\$3.38	\$967
4	PO-1a,b	Pre-order response time (Facility Availability)	\$3.38	\$967
5	PO-1a,b	Pre-order response time (Street Address Validation)	\$3.38	\$967
6	PO-1a,b	Pre-order response time (Customer Service Records)	\$3.38	\$967
7	PO-1a,b	Pre-order response time (Telephone Number)	\$3.38	\$967
8	PO-1a,b	Pre-order response time (Loop Qualification)	\$3.38	\$967
9	PO-2a1,2:	% electronic flow through all LSRs	\$3.38	\$967
10	PO-2b1,2:	% electronic flow through eligible LSRs	\$3.38	\$967
11	PO-3a,b,c:	LSR rejection notice interval	\$3.38	\$967
12	PO-4a,b,c:	LSRs rejected	\$3.38	\$967
13	PO-5a,b,e:	Firm order confirmations on time	\$3.38	\$967
14	PO-6a,b:	Work completion notice timeliness	\$3.38	\$967
15	PO-7a,b:	Billing completion notice timeliness	\$3.38	\$967
16	PO-8d:	Jeopardy notice interval	\$3.38	\$967
17	PO-10:	LSR accountability	\$3.38	\$967
18	PO-15:	Number of due date changes/orders (ROC)	\$3.38	\$967
19	OP-3a,b,c:	Installation commitments met	\$3.38	\$967
20	OP-4a,b,c:	Installation interval	\$3.38	\$967
21	OP-5a:	New installations trouble free within 30 days	\$3.38	\$967
22	OP-5b:	% TR report by CLEC before order completion	\$3.38	\$967
23	OP-6a,b:	Avg business days delayed, nonfacility/facility reasons	\$3.38	\$967
24	OP-8b,c:	Number portability timeliness, coordinated/uncoordinated	\$3.38	\$967
25	OP-13a:	Coordinated cuts on time	\$3.38	\$967
26	OP-13b:	Coordinated cuts started without CLEC approval	\$3.38	\$967
27	BI-4	Billing completeness	\$3.38	\$967
28	DB-2a,b,c	Accurate database updates	\$3.38	\$967
Total annual customer profit compared to the CLEC's proposed Tier-1 payments			\$94.66	\$27,070
Number of time the CLEC's proposed payments exceed annual profit				286
Does not include Tier-2 payments				

* The CLEC's payment table escalates as the percentage of service misses increase. The table is based on 5% misses. Be

10% Misses	\$30,573
15% Misses	\$36,383
20% Misses	\$42,000
25% Misses	\$47,538
30% Misses	\$51,975
35% Misses	\$63,000
40% Misses	\$63,000

966.8
 1091.91
 1299.38
 1500
 1697.79
 1856.25
 2053.61
 2250

nd a 5% Miss)

[illegible]

low are total payments at higher percentage of service misses.

\$61,147	\$91,721	\$122,294	\$152,868	\$183,441
\$72,765	\$109,148	\$145,530	\$181,913	\$218,295
\$84,000	\$126,000	\$168,000	\$210,000	\$252,000
\$95,076	\$142,614	\$190,152	\$237,691	\$285,229
\$103,950	\$155,925	\$207,900	\$259,875	\$311,850
\$115,002	\$172,503	\$230,004	\$287,505	\$345,006
\$126,000	\$189,000	\$252,000	\$315,000	\$378,000

1933.59	2900.39	3867.19	4833.98	5800.78
2183.82	3275.74	4367.65	5459.56	6551.47
2598.75	3898.13	5197.5	6496.88	7796.25
3000	4500	6000	7500	9000
3395.58	5093.37	6791.16	8488.95	10186.74
3712.5	5568.75	7425	9281.25	11137.5
4107.22	6160.83	8214.44	10268.05	12321.66
4500	6750	9000	11250	13500

QWEST'S PLAN HAS THE RIGHT COMBINATION OF PAYMENTS AND PERFORMANCE MEASUREMENTS

(Example of a Single UNE-P Order and Installation)

Performance Measurement		Alleged Benefit/ Profit	Qwest Proposed Payment					
			1st Mon	2nd Mon	3rd Mon	4th Mon	5th Mon	6th Mon
1	GA-1,2: Gateway availability							
2	PO-1a,b Pre-order response time (Appt Scheduler)							
3	PO-1a,b Pre-order response time (Service Availability)							
4	PO-1a,b Pre-order response time (Facility Availability)							
5	PO-1a,b Pre-order response time (Street Address Validation)							
6	PO-1a,b Pre-order response time (Customer Service Records)							
7	PO-1a,b Pre-order response time (Telephone Number)							
8	PO-1a,b Pre-order response time (Loop Qualification)							
9	PO-2a1,2: % electronic flow through all LSRs							
10	PO-2b1,2: % electronic flow through eligible LSRs							
11	PO-3a,b,c: LSR rejection notice interval	\$25	\$50	\$100	\$200	\$300	\$400	
12	PO-4a,b,c: LSRs rejected							
13	PO-5a,b,e: Firm order confirmations on time	\$25	\$50	\$100	\$200	\$300	\$400	
14	PO-6a,b: Work completion notice timeliness							
15	PO-7a,b: Billing completion notice timeliness	\$25	\$50	\$100	\$200	\$300	\$400	
16	PO-8d: Jeopardy notice interval	\$25	\$50	\$100	\$200	\$300	\$400	
17	PO-10: LSR accountability							
18	PO-15: Number of due date changes/orders (ROC)	\$150	\$250	\$500	\$600	\$700	\$800	
19	OP-3a,b,c: Installation commitments met	\$150	\$250	\$500	\$600	\$700	\$800	
20	OP-4a,b,c: Installation interval	\$150	\$250	\$500	\$600	\$700	\$800	
21	OP-5a: New installations trouble free within 30 days	\$150	\$250	\$500	\$600	\$700	\$800	
22	OP-5b: % TR report by CLEC before order completion	\$150	\$250	\$500	\$600	\$700	\$800	
23	OP-6a,b: Avg business days delayed, nonfacility/facility reasons							
24	OP-8b,c: Number portability timeliness, coordinated/uncoordinated	\$75	\$150	\$300	\$400	\$500	\$600	
25	OP-13a: Coordinated cuts on time	\$75	\$150	\$300	\$400	\$500	\$600	
26	OP-13b: Coordinated cuts started without CLEC approval	\$25	\$50	\$100	\$200	\$300	\$400	
27	BI-4 Billing completeness							
28	DB-2a Accurate database updates, E911							
29	DB-2b Accurate database updates, LIDB							
30	DB-2c Accurate database updates, directory listing							

Total annual customer profit compared to Qwest proposed Tier-1 payments
 Number of time Qwest proposed payments exceed annual profit
 Does not include Tier-2 payments

\$146	\$875	\$1,550	\$3,100	\$4,200	\$5,300	\$6,400
	6	11	21	29	36	44

TOO MANY PERFORMANCE MEASUREMENTS PAYMENT TO THE DISAGGREGATION OF MEASUREMENTS PRODUCE HIGHLY UN

(Example of a Single UNE-P Order and Installation)

Performance Measurement			Alleged Benefit/ Profit	1st Mon
1	GA-1,2:	Gateway availability	\$3.38	\$967
2	PO-1a,b	Pre-order response time (Appt Scheduler)	\$3.38	\$967
3	PO-1a,b	Pre-order response time (Service Availability)	\$3.38	\$967
4	PO-1a,b	Pre-order response time (Facility Availability)	\$3.38	\$967
5	PO-1a,b	Pre-order response time (Street Address Validation)	\$3.38	\$967
6	PO-1a,b	Pre-order response time (Customer Service Records)	\$3.38	\$967
7	PO-1a,b	Pre-order response time (Telephone Number)	\$3.38	\$967
8	PO-1a,b	Pre-order response time (Loop Qualification)	\$3.38	\$967
9	PO-2a1,2:	% electronic flow through all LSRs	\$3.38	\$967
10	PO-2b1,2:	% electronic flow through eligible LSRs	\$3.38	\$967
11	PO-3a,b,c:	LSR rejection notice interval	\$3.38	\$967
12	PO-4a,b,c:	LSRs rejected	\$3.38	\$967
13	PO-5a,b,e:	Firm order confirmations on time	\$3.38	\$967
14	PO-6a,b:	Work completion notice timeliness	\$3.38	\$967
15	PO-7a,b:	Billing completion notice timeliness	\$3.38	\$967
16	PO-8d:	Jeopardy notice interval	\$3.38	\$967
17	PO-10:	LSR accountability	\$3.38	\$967
18	PO-15:	Number of due date changes/orders (ROC)	\$3.38	\$967
19	OP-3a,b,c:	Installation commitments met	\$3.38	\$967
20	OP-4a,b,c:	Installation interval	\$3.38	\$967
21	OP-5a:	New installations trouble free within 30 days	\$3.38	\$967
22	OP-5b:	% TR report by CLEC before order completion	\$3.38	\$967
23	OP-6a,b:	Avg business days delayed, nonfacility/facility reasons	\$3.38	\$967
24	OP-8b,c:	Number portability timeliness, coordinated/uncoordinated	\$3.38	\$967
25	OP-13a:	Coordinated cuts on time	\$3.38	\$967
26	OP-13b:	Coordinated cuts started without CLEC approval	\$3.38	\$967
27	BI-4	Billing completeness	\$3.38	\$967
28	DB-2a,b,c	Accurate database updates	\$3.38	\$967
Total annual customer profit compared to the CLEC's proposed Tier-1 payments			\$94.66	\$27,070
Number of time the CLEC's proposed payments exceed annual profit				286
Does not include Tier-2 payments				

* The CLEC's payment table escalates as the percentage of service misses increase. The table is based on 5% misses. Be

10% Misses	\$30,573
15% Misses	\$36,383
20% Misses	\$42,000
25% Misses	\$47,538
30% Misses	\$51,975
35% Misses	\$63,000
40% Misses	\$63,000

966.8
 1091.91
 1299.38
 1500
 1697.79
 1856.25
 2053.61
 2250

nd a 5% Miss)

low are total payments at higher percentage of service misses.

low are total payments at higher percentage of service misses.

\$61,147	\$91,721	\$122,294	\$152,868	\$183,441
\$72,765	\$109,148	\$145,530	\$181,913	\$218,295
\$84,000	\$126,000	\$168,000	\$210,000	\$252,000
\$95,076	\$142,614	\$190,152	\$237,691	\$285,229
\$103,950	\$155,925	\$207,900	\$259,875	\$311,850
\$115,002	\$172,503	\$230,004	\$287,505	\$345,006
\$126,000	\$189,000	\$252,000	\$315,000	\$378,000

1933.59	2900.39	3867.19	4833.98	5800.78
2183.82	3275.74	4367.65	5459.56	6551.47
2598.75	3898.13	5197.5	6496.88	7796.25
3000	4500	6000	7500	9000
3395.58	5093.37	6791.16	8488.95	10186.74
3712.5	5568.75	7425	9281.25	11137.5
4107.22	6160.83	8214.44	10268.05	12321.66
4500	6750	9000	11250	13500

QWEST'S PLAN HAS THE RIGHT COMBINATION OF PAYMENTS AND PERFORMANCE MEASUREMENTS

(Example of a Single UNE-P Order and Installation)

Performance Measurement		Alleged Benefit/ Profit	Qwest Proposed Payment						
			1st Mon	2nd Mon	3rd Mon	4th Mon	5th Mon	6th Mon	
1	GA-1,2: Gateway availability								
2	PO-1a,b Pre-order response time (Appt Scheduler)								
3	PO-1a,b Pre-order response time (Service Availability)								
4	PO-1a,b Pre-order response time (Facility Availability)								
5	PO-1a,b Pre-order response time (Street Address Validation)								
6	PO-1a,b Pre-order response time (Customer Service Records)								
7	PO-1a,b Pre-order response time (Telephone Number)								
8	PO-1a,b Pre-order response time (Loop Qualification)								
9	PO-2a1,2: % electronic flow through all LSRs								
10	PO-2b1,2: % electronic flow through eligible LSRs								
11	PO-3a,b,c: LSR rejection notice interval		\$25	\$50	\$100	\$200	\$300	\$400	
12	PO-4a,b,c: LSRs rejected								
13	PO-5a,b,e: Firm order confirmations on time		\$25	\$50	\$100	\$200	\$300	\$400	
14	PO-6a,b: Work completion notice timeliness								
15	PO-7a,b: Billing completion notice timeliness		\$25	\$50	\$100	\$200	\$300	\$400	
16	PO-8d: Jeopardy notice interval		\$25	\$50	\$100	\$200	\$300	\$400	
17	PO-10: LSR accountability								
18	PO-15: Number of due date changes/orders (ROC)								
19	OP-3a,b,c: Installation commitments met		\$150	\$250	\$500	\$600	\$700	\$800	
20	OP-4a,b,c: Installation interval		\$150	\$250	\$500	\$600	\$700	\$800	
21	OP-5a: New installations trouble free within 30 days		\$150	\$250	\$500	\$600	\$700	\$800	
22	OP-5b: % TR report by CLEC before order completion		\$150	\$250	\$500	\$600	\$700	\$800	
23	OP-6a,b: Avg business days delayed, nonfacility/facility reasons								
24	OP-8b,c: Number portability timeliness, coordinated/uncoordinated		\$75	\$150	\$300	\$400	\$500	\$600	
25	OP-13a: Coordinated cuts on time		\$75	\$150	\$300	\$400	\$500	\$600	
26	OP-13b: Coordinated cuts started without CLEC approval								
27	BI-4 Billing completeness		\$25	\$50	\$100	\$200	\$300	\$400	
28	DB-2a Accurate database updates, E911								
29	DB-2b Accurate database updates, LIDB								
30	DB-2c Accurate database updates, directory listing								

Total annual customer profit compared to Qwest proposed Tier-1 payments

Number of time Qwest proposed payments exceed annual profit

Does not include Tier-2 payments

\$146	\$875	\$1,550	\$3,100	\$4,200	\$5,300	\$6,400
	6	11	21	29	36	44